



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

The American Economic Review

VOL. I

JUNE 1911

No. 2

RECIPROCITY AND THE FARMER

Undoubtedly reciprocity is to be viewed as a method of reforming or revising the tariff. Moreover it amounts to tariff reduction and in consequence those to whom the tariff is sacred will see in it nothing good. Those who have accepted without discount the home-market argument and who believe that the American, for example, pays the freight both going and coming, will likewise be slow in accepting the principles of reciprocity. No class of American citizens have believed the home-market argument more implicitly than has the farmer. For a generation or more the campaign speakers of the tariff party have been eloquent in their presentation of the situation, always insisting that the amount of the tariff on wheat, barley or beef was at once the measure and the source of the margin of advantage enjoyed by the producer of those commodities. The goblin of these nursery rhymes was always Canada. The Canadian farmer was a monster lying in wait for the unwary American, ready and able to spoil all prosperity, and beggar the victim. The moral was clear: the tariff was to be invoked as the protector, deliverer, benefactor.

Even the astute McKinley in a speech felt impelled to speak on the agricultural schedules and said: "Do the agriculturists want the duties [on agricultural products] all removed and their products driven from this market,"¹ but with a few words in this vein his courage failed him and he skillfully retreated into the labyrinths of the home-market argument and failed to get back to the proposition. No doubt he preferred to talk on the schedules concerning which he could tell the truth, talk cogently, make himself understood, and at the same time meet the approval of his audience. This was orthodoxy. It was the all-round version of the doctrine which had been accepted by the party, each member of which was required by the discipline to accept the whole creed or suffer excommunication. Yet at frequent intervals it was nec-

¹ Speech in the House, June 12, 1888.

essary to hold revivals in order that as few as might be should backslide. Whenever a murmur was heard about the tribute paid to the manufacturer the soothing assurances were forthcoming that the same blessing which the manufacturer had enjoyed was to be granted to the farmer. Thus the farmer's understanding of the situation was confused, but his allegiance was retained.

Just how the tariff of twenty-five cents on wheat kept wheat twenty-five cents higher in price in the later eighties than it otherwise would have been is a Chinese puzzle now, though it was perfectly plain to fierce partisans when explained by the campaign orators.

Of course the modern argument, cut to fit the clearer understanding of an alert class of farmers, is projected into the future. It is not claimed that the tariff has been the main prop of agricultural prosperity in the past; in fact it is sometimes admitted that a little disingenuous coquetting was done with the farmer, but now the time has come when in reality the farmer and the manufacturer must join hands. The farmer has not gained by the tariff on wheat in the past. It was a false prophet who told him he would. But now the time has just about arrived when the fruition of all this waiting, this hope, is to be realized. The opportunity to win favor with the farmer by advocating a tariff on farmers' products when the farmer is already convinced that he needs such protection is not to be foregone by the ambitious congressman. Wheat, we are told, is to be imported, and it may be, unless we decide that in order to make good the losses sustained by the farmer in the past, and redeem the promises of both past and present, the duty on wheat shall be retained and the consumer thus called upon to pay the bill. The parting of the ways is at hand; either the corn law chapter of English history must be begun in America or the conditions must be provided whereby America shall remain a factor in the world markets for food-stuff. That is to say, remain in the economic position to buy and sell in accordance with the doctrine of comparative costs.

The relation of American agriculture to that of Canada is a question of no small consequence and is properly demanding attention. On this subject the most illuminating contribution of recent date is the report made by the Tariff Board to the President in March of the present year.² This report undertakes to show the relative amount of product in the form of crops and

² Sen. Doc., No. 849, 61 Cong., 3 Sess.

live stock on both sides of the line; the prices in Canadian and American markets; and the wages paid in the course of production in both instances. It is true that the figures on cost of production are in most cases made on a rather narrow base; and no doubt with a complete canvass the situation would appear changed somewhat, though probably not enough to affect the conclusions to be drawn. In fact there is good reason to believe that such statistics as these are in some respects superior to the more elaborate ones, since representative instances studied by experts reveal the truth more clearly than mechanical averages. The report must at least receive respectful attention and, until some better source appears, be the basis of argument around which debate will center.

On the subject of wages it appears that there is no essential difference between the two countries. Wages of farm hands in Ontario, the leading province agriculturally of eastern Canada, are somewhat lower than in our eastern States, perhaps twenty-five per cent lower. This would suggest the lower cost argument at once were it not for the fact that in Ontario the same report shows on the one hand costs of production to be as high as in this country; or on the other hand shows the farm prices to be as high; either of which is sufficient to allay all reasonable fears that these Canadians can undersell us on our own ground. Turning to the West it is shown that wages are just about the same in each country. This is not surprising for it is here that conditions of many kinds are the same on both sides of the line. "In general it may be said that the wages of experienced season hands . . . are on the same general level in Manitoba and Minnesota, and on the same general level in Saskatchewan and North Dakota."³ The rates reported are thirty-two to thirty-five dollars per month, for a season of seven or eight months. So far as agriculture is concerned, therefore, the pauper labor, cheap labor, or underpaid labor, arguments do not apply with respect to Canada.

Turning to the question of land values it is difficult to make any helpful comparisons. Canada is a big country, largely undeveloped, which means a period of exploitation of virgin soil to continue for a generation and after. This does not so much apply to Ontario as to the great northwest. In Ontario improved land is worth about \$50 an acre, not very different from the price in Missouri, Michigan, Minnesota, or Pennsylvania. In Manitoba

³ Sen. Doc., No. 849, 61 Cong., 3 Sess., pp. 85-6.

and Saskatchewan the values are reported as \$29 and \$22 respectively, while in North and South Dakota the values are \$25 and \$36 per acre. The argument that the price of land does not determine, but follows, the price of its product is beyond dispute, but it applies to settled conditions and not to a condition of super-abundant land of good quality. There is no getting around the probability that, other things remaining constant, the Canadian Northwest is in a position, barring tariff, to reduce the selling value of certain lands in the United States. These would be the lands which produce similar crops, but not so abundantly, just as the opening of the Red River valley wheat fields in this country reduced the values for a time on wheat lands in New York and Wisconsin. But the other things have no disposition to remain constant; agriculture is forever making adjustments to fit new conditions.

The mainstay of American agriculture is more and more coming to be live stock. Within great areas of the middle west very little grain is shipped out of the county in which it is grown, live stock, dairy, and poultry, products furnishing the main source of income. In the case of cattle prices are higher in Canada than in the United States. And how could it be otherwise? The winters are longer there; more barns, more feed, and more work, are involved in getting a cow through the winter. In the production of meat the best and cheapest grain is corn, but the Canadian must get along without corn, for it will not grow in any quantity in his country. It must be a strange kind of logic that leads to fear of inroads of Canadian cattle into American markets when a cow is worth twenty per cent more there than here. Other cattle in Canada are a still greater per cent above the American cattle in price. But aside from the Province of Ontario very few well finished beeves are to be found. Canada is in a good position to buy from the United States great numbers of dairy cows and quantities of beef, while the American corn grower would be glad to buy feeders from Canada, in case they were not too dear. All of which argument means that freedom of trade in cattle between this country and Canada will put money into the pockets of the American farmer.

As to sheep the situation is quite similar. Canada with a tariff of twenty-five per cent on sheep has not been able to induce her farmers to go into the business to any considerable extent. Ohio has more sheep than all Canada; Iowa almost as many, yet Iowa

is not known as a sheep-producing state. With some show of reason Canada might wish to maintain a tariff on sheep in order to encourage the industry, but how our tariff on sheep is able to shield us from real danger from the North requires explanation.

The facts in relation to horses are similar. Worth nearly twenty-five per cent more in Canada, the only reason advantageous sales cannot be made is that Canada demands so big a duty. We sent last year \$400,000 worth of horses into Canada. Yet this was in spite of a twenty-five per cent tariff. Horses are especially in demand in western Canada. In our middle west are many horses for sale. A two-hundred dollar draft horse in Iowa will cost a Saskatchewan farmer two hundred and fifty dollars, besides transportation charges. The result is that few such sales are made. The horse sells for less to a home buyer, and the Canadian wheat grower interests himself in a gasoline engine. As to swine there is no room for discussion. The Canadian markets open to the trade mean more high-priced pork from the corn belt. Even now a few of our hogs get over the Canadian tariff wall of a cent and a half a pound. The slight decrease proposed in the duty will help a little. Eggs have been the subject of much solicitous concern on both sides of the line, and expressed mathematically, our fear to theirs equals the ratio of 5 to 3. Had our tariff on eggs been made to protect us from Canada it would be nothing more than a joke. The hen is a creature of fixed and well-known habits, and in spite of all the nostrums recommended for working a reform, has thus far not responded well in countries of prolonged cold seasons. Eggs are higher in Canada than here.

Likewise regarding butter the mutual alarm is as five to three cents. To begin with butter is dear, and almost equally dear in the leading countries of the world. Even butter producers are sometimes afraid that a taste for substitutes may develop to such an extent that the market for high-priced butter may be seriously curtailed. At present we have a small surplus of a few million dollars worth of butter to export. In case Canada sent us a few million dollars worth we could export correspondingly more. But Canada cannot sell much butter. The subtraction of any considerable amount from Ontario would raise the price to the level of ours. In western Canada butter is dearer than in western United States. Hence Canada cannot work any marked change in the dairy situation in this country. The Canadians are good

dairymen unquestionably, but they have no important advantage over American dairymen unless it be in certain kinds of feed such as mill-stuffs, and under reciprocity our dairymen would be glad to compete against them for that. The total output of butter for all Canada is hardly two thirds that of the State of New York. They make two thirds the cheese we do.⁴ Even our tariff cannot induce the making of a great deal of cheese, but in the nature of the case they cannot do us any harm in dairy competition. Their winters are too long.

It is with respect to wheat that the greatest alarm has been manifested. And it is in wheat that Canada holds the strategic position. How much wheat Canada is capable of producing, even with the methods of extensive farming, has hardly passed the guessing stage. That it is to be a vast amount no one who has had a glimpse of Saskatchewan, Assiniboia, Alberta, or Manitoba is inclined to doubt. Professor James Mavor of the University of Toronto made a report⁵ on the subject a few years ago, and while he was cautious in his statements he nevertheless made it plain that a new wheat world is just being explored. Unquestionably it is possible for Canada to produce enough wheat to supply herself, the United States, and England. Just as unquestionably she will not do so. To belittle the wheat situation of Canada, however, is futile. From where the Red River enters Manitoba, a belt of country two hundred miles wide extending to the northwest a distance of six hundred miles, may with pardonable exaggeration be called a continuous wheat field. In a great many townships of this region over half the land surface is sown to wheat.⁶ Already the acreage is above the ten million mark. Likewise the yield is high. Just as Wisconsin, Minnesota, and Dakota have each in turn held first rank in yield per acre, so Canada, with her virgin soil outdoes the best of the spring wheat sections of the United States. Canada has produced as much as 166,000,000 bushels of wheat per year, but this does not look so large when compared to the 713,000,000 for the United States, and seems quite modest as a part of the 3,000,000,000 bushels of the world. It is not, however, so much what Canada has done as what she can

⁴ *Canadian Census and Statistics*, Bulletin VII; *Dairy Production*, 1907 (the latest published report).

⁵ *Canada Northwest*, by James Mavor.

⁶ *Cereal Map of Manitoba, Saskatchewan and Alberta*. Department of the Interior, Canada.

do that makes the issue a vital one. Canada can increase her output more easily than can the United States under present methods of farming.⁷

Does not the wheat grower of America have reason to tremble at the prospect of free wheat from Canada? Before answering the above question it may not be amiss to notice the situation in wheat farming and marketing under present conditions. It will be recalled by those who have taken an interest in the subject that wheat was cheap in this country, distressingly cheap, for a considerable number of years. Dollar wheat was hardly known to the western farmer between 1882 and 1907. During all that period dollar wheat was the dream of the wheat grower. A dollar meant prosperity. At that price there would be an inducement to plow early and late. The price has been realized yet the anticipated consequence has not followed. The wheat area has not been enlarged; the yield has not been increased. State after state shows a decline in the business. The Minneapolis mills reached their maximum ten years ago. The total amount grown in the whole country is about at a standstill. The quantity exported has fallen off rapidly during the past ten years, until now the figure is less than one fourth of what it was then. The explanation of this is not far to seek. It is not that we cannot grow wheat; we can grow it and will, but perhaps not so much in excess of our own demands. The Red River valley has yielded wheat with hardly a respite or rotation for a quarter of a century. The yield per acre is sagging; the bonanza farms are not paying; smaller farms are being developed, and mixed agriculture is taking the place of the one-crop system. The spring wheat area has crawled amoeba-like down the Ohio valley across Illinois, Wisconsin, Iowa, and Minnesota, and at present is centered so far as the United States is concerned, to the west of the Red River, in North Dakota. But an economic area is no respecter of national boundary lines and in this case the forty-ninth parallel finds itself in the midst of the greatest wheat region of the world. This movement has left in its wake what the agricultural press has from time to time called "worn out wheat lands," and the term fits the facts fairly well. Wheat farming in the west has usually been a process of expeditious extraction of virgin fertility from a yielding soil.

⁷ For the production of grain in Canada during past ten years, see *Canadian Census and Statistics Monthly*, Dec., 1910.

No farmer, unless it be the cotton grower, shows the tenacity of the wheat grower. He refuses to change his methods until the bitter end, but the bitter end has come in Wisconsin, in Iowa, in large parts of Ohio, Indiana, and Michigan, and is fast coming in Minnesota, which for years has been the banner state. Not that Minnesota will go out of the business, but other things than wheat will become the mainstay. The winter wheat section has undergone a change similar to that of spring wheat. It, too, moved down the Ohio Valley, across Missouri, into Kansas and neighboring states, but it has about reached the western limit of migration, and shows a marked falling off in the sections which have been long exploited. The irrigated districts and the dry farming districts are still unknown in their possibilities. The fact remains that the wheat farmer is not at present coming up to the demands upon him so far as quantities of wheat for exportation are concerned, but at the same time he stands ready to fill further orders if the price be raised.

Shall, then, the wheat farmer, because he does not come up to his old standard, be marked for sacrifice on the altar of tariff revision? The answer is that the tariff has not been the cause of his past continuance in the business, and its removal, or threatened removal is not the cause of his present failure to keep up the old pace. Our wheat prices have been the prices set by a world market; the Canadian prices have been fixed in like manner and have been lower than ours much more because of railway tariffs than because of political tariffs. The tariff on wheat has not been responsible for the high prices any more than the Indian's umbrella, purchased "to keep the rain off," was responsible for dry weather. The tariff has had about the same effect on wheat prices that a back-water valve has on the flow of sewage into a residence. When the current is outward the valve is out of employment, but when it sets in the other direction the valve comes into play and stops the flow. During the interesting weeks of Mr. Patton's wheat corner the tariff valve kept Canadian wheat at a safe distance, and the price rose; but this was of small consequence to the wheat grower as he had already sold most of his crop. If the tariff is taken off, Canadian wheat will, in the northwest, be worth a little more money, but it is hard to see how it is going to lower correspondingly the price in this country. Wheat in Minneapolis sells just high enough to prevent export as a rule. That Canadian wheat by coming into the United States

would lower the world price is hardly thinkable; certainly it cannot do so except as it increases in quantity.

Minneapolis has several positive advantages as a milling center: cheap power, excellent transportation facilities, and perhaps as important as either of these, an established reputation. Minneapolis wants more wheat to mill, but does not want it badly enough to raise the world price. The quality of Canadian wheat is excellent and it is especially wanted to mix with the softer American wheat, but this could not depress the price of the latter since it already sells at substantially the Liverpool price minus transportation charges. It could not be worth less than the price so fixed, and the very fact of the advantageous mixture would tend to make it still more in demand. The abundance of alloy does not depress the price of gold, nor does the abundance of gold depress the price of alloy. Just so surely as Canadian and American wheat mixed make good flour, the flour is going to be in demand, and therefore the wheat from which it is made will be in demand.

The conclusion seems inevitable that Canadian wheat cannot, though admitted free, depress the price of wheat in this country. It cannot because our prices are not the result of local forces. If Canadian wheat comes to Minneapolis to be milled, more wheat and more flour will be sent abroad. If Canadian wheat comes to Minneapolis it will be not because we want it to eat, but because it is an easier route to the final destination than by way of Ft. William or Port Arthur. It will then be a battle between milling companies on the one hand and transportation companies on the other, the Canadian farmer gaining a little if an easier route be found over which to market his grain, the American farmer having little concern in the matter.

Oats have been as high in price during some months past in Canada as in the United States. The farmer on this side of the line can compete successfully against his northern neighbor in the production of this crop. In barley it must be admitted that the tariff has been a factor, and yet only a small amount of barley is being grown. The total acreage of barley for the United States was less, at the last report, than half the corn acreage of a single state.

Great alarm is manifested among the growers of vegetables, beans, potatoes, and miscellaneous crops, in the northeastern states. But these products are worth just about the same figure in each country. During the year 1909 we sold a million dollars

worth of vegetables to the Canadians. The Canadians cannot possibly have any considerable advantage over us in vegetable growing, while we have the great advantage of a warmer climate, earlier season, and greater variety of soil. Just as Georgia and Virginia furnish early strawberries and potatoes to the New York and Boston markets, they can do the same for Toronto and Montreal. Our potato growers would profit by free trade, both from the standpoint of enlarged market and increased price, potatoes being dearer in Canada than here. It should be admitted that in some small localities, for example in the vicinity of a city near the boundary line where the growers of truck and producers of milk have a partial monopoly, made more secure by the tariff, reciprocity will work some injury. For instance there is a semicircle of American territory contiguous to Buffalo; to admit the other semicircle to the market privileges will no doubt reduce the trade enjoyed by some at present.

The American farmer could ask no greater boon than the privilege of buying from the Canadians all the feed stuff which the rich soil of Canada can furnish; all the unfattened cattle which the grass and rough feed of Canada can produce. These the American farmer can use to most excellent advantage, and can not only make a profit in the immediate conversion of them into higher-priced commodities, but can make his fertile fields much more fertile. He can transfer by this process the fertility of much soil, destined to be exploited, to his own. The American farmer is not convinced of this. The agricultural press, with few exceptions, is calling upon him to flood Congress with remonstrances. The Grange, with its two million members has set its machinery in motion to defeat reciprocity. *The National Grange Official Organ* bristles with articles and letters imploring the farmers to bestir themselves.

The gist of the arguments used in this attack on the proposed treaty is that the farmer is being played off, sacrificed, in the interest of the manufacturer. It is held that free beef, free flour, and free lumber should be granted as a balance to the points yielded by the farmer. It is forgotten that beef and flour would be no cheaper with the tariff off, and that it is Canada that insists on retaining the duty. The American farmer will not lose by accepting the reciprocity proposal, but on the contrary will gain. He would gain very little if anything by the free admission from Canada of beef and flour. If the American miller is

imposing on the consumer by charging too much for flour, then flour should be put on the general free list. If the farmers are converted into millers' retainers we shall have a duplication of the sugar grower and sugar trust alliance, but as in the one instance the farmer gets scant consideration in the distribution of the booty, he would hardly fare better in the other case. The farmer is right in contending that lumber should be altogether on the free list, but a good share of it is so in the proposed treaty. In the case of wood pulp the interests of the country at large are plainly on the side of free admission, while just as plainly the interests of the producers of wood pulp in America are served by limitation of the supply, and the consequent high price.

Summed up the situation amounts to this: Do we want to protect the farmer against competition from the outside? Do we want to subsidise the farming business? Do we want farming in general, as have a few branches of it already, to become more dependent on politics than on a knowledge of soils, processes, and marketing organization? Do we want to aid the farmer in maintaining old systems, in coaxing from the soil the last kernel of grain,—make of him in short a public beneficiary? Thus far the great industry of agriculture has been for the most part built upon a solid foundation. Shall it be put upon stilts, and enter the realm of unstable equilibrium, where political props will be forever necessary to keep it from ruinous downfall? We have given protection to the growers of sugar beets under the promise of cheaper sugar. At present the strongest allies of the sugar trust are the sugar beet growers. We give protection to the tobacco grower and both North and South he is more concerned about tariff than about improvements in producing the crop. He has his being in the favor of politics. He, in the language of a former Congressman from a tobacco district, "insists that every point asked by any other interest be conceded rather than submit to any change, except upward, in the tobacco schedules." The time is coming soon when we shall reach the parting of the ways. Do we want to add the farmers to the list of those dependent on political sunshine for the growing of crops?

Many of the English are concerned at the prospect of freer trade between the United States and Canada. It is predicted that the price of Canadian wheat in the English market will be raised "because the Canadian now has a market at his very doors, and the supply to the British market 3,000 miles away is likely

to be diminished.”⁸ This is on the assumption that the Americans are to eat more wheat, or grow less. Why would either alternative obtain? Why might not the result be the export of more flour? The burden of proof is on those who take the position that the latter case is improbable; we are already exporting flour; if we make more flour what will be done with it? Or again, if our farmers raise less wheat will they make a poorer use of the land thus released? The Wisconsin and Iowa farmers date their prosperity back to the time when they allowed some one else to grow wheat for them, while they followed more profitable kinds of agriculture. And yet they have not produced less food, but much more. The food-producing power of New York and Pennsylvania has not declined since they resigned the wheat production to the West. The American farmer is going to use his land and just as surely as he does so food-stuffs will result. The ability to make land produce is not the greatest problem of agriculture today. Science is doing wonders in that respect, and will continue to do more wonders. The question before the farmer is not that of producing quantities of grain and meat, or of finding some one to buy them; it is much like the case of the Confederate bonds as related in the *Biglow Papers*: “It isn’t the takin’, though it has a good look. It’s to get suthin’ outen ’em arter they’re took.”

Thus the Englishman must remember that wheat is cheaper in Winnipeg than in Minneapolis as much because of geographic location as anything else. He may be interested to know when noting the higher price on this side of the forty-ninth parallel, that similar causes make wheat lower in Kansas City than in Minneapolis. And yet the London price of wheat from Kansas, Minnesota, and Alberta varies with the quality only. Unless Canada and the United States, jointly, produce less food-stuffs, free trade in the same will not tend to raise the price in the world markets.

The people doomed to disappointment are those who expect the cost of living to be lowered by reciprocity with Canada. The cost of living is less there than here, but it is due mainly to things not touched, or to be touched, by the proposed agreement. The advantage to be gained is of a different nature, though none the less real. It is in the advantage of expanding, profitable, trade, that the farmer and likewise the laborer and the capitalist may hope for better times. And if in the first arrangement the farmer

⁸ Quoted in *Monthly Notes on Tariff Reform*, Mar., 1911, p. 157.

does not drive as good a bargain as he ought, he can use the advantages conceded to his fellows as a lever in shifting the weight to a more equitable balance.

It is a pertinent question whether we might not accomplish as good results by tariff reform as by reciprocity. Without doubt we could, but without doubt we won't. It is a good play on the part of those who want no tariff change to suggest the move which for half a century has been impossible.

BENJAMIN HORACE HIBBARD.

Iowa State College.